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## AMERICAN TRADE UNIONISM AND THE STANDARDIZATION OF WAGES DURING THE WAR

### I

At the outbreak of the war between the United States and Germany the dominance of the American Federation of Labor in the organized American labor movement was more complete than at any previous time. From the formation of the Federation there have always been some national unions which although accepting the general principles of the Federation have held aloof because they feared to endanger their independence. In recent years this apprehension has been largely dissipated, and a number of hitherto unaffiliated unions have entered the Federation. In 1916 the Bricklayers and Masons, one of the most powerful of the unattached unions, came into membership. The adhesion of the Bricklayers was important, not only by reason of the very considerable numbers involved, but primarily on account of the strong strategic position which the union holds in the building-trades group. During the struggle by the railroad unions for the eight-hour day in 1916 sympathetic support was given by the Federation, and the relations of the American Federation of Labor and of the four railroad brotherhoods became closer than before.<sup>1</sup>

Even more important in establishing the leadership of the Federation has been the complete breakdown of the opposition movement in American trade unionism led by the Industrial Workers of the World and its predecessor, the American Labor

<sup>1</sup> In commenting on the fact that the chiefs of the railroad brotherhoods addressed the Baltimore Convention (1916) of the Federation, the *American Federationist* for January, 1917, said: "All during the contests in which the brotherhoods have been engaged they have had the support and close co-operation of the A.F. of L. For years their legislative committeemen have co-operated with the legislative committee of the A.F. of L. . . . This spirit is gradually permeating the rank and file of the brotherhoods and it may be expected that they will come to see that the workers in every trade must unite to present a united front in maintaining the fundamental principles of industrial freedom." In June, 1918, the Locomotive Engineers voted to affiliate with the Federation, and it appears likely that the separatist policy hitherto followed by the brotherhoods will be abandoned.

Union. In 1913 a careful investigator wrote of an organization which two years earlier had excited the strongest belief that it threatened the prestige of the American Federation of Labor: "Viewing the situation in any reasonable light, therefore, we find it difficult to escape the conclusion that the Industrial Workers of the World as a positive social factor is more an object of pathetic interest than of fear."<sup>1</sup>

Moreover, within the Federation the dominant group—the pure trade-union, non-socialistic and non-state interventionist group—had made its control complete and pervasive. When the war came, therefore, the American trade-union movement possessed unity, coherence, and recognized leadership beyond that of any preceding period. The voice of President Gompers and the executive council of the Federation was in a real sense the voice of the American trade-union movement.

Even before war was actually declared the executive council proceeded to exercise leadership. On February 28, 1917, President Gompers suggested in a letter to the executive council that a conference should be called for the purpose of "formulating a definite constructive policy" and of agreeing upon the "fundamental principles which Labor will accept in national defense and in which it will co-operate."<sup>2</sup> The conference was held on March 9 and was attended by the representatives of seventy-nine international unions, including the four railway brotherhoods. The declaration adopted by the conference contained two principles of the utmost importance in the future relations of American trade unionism to governmental wage policies:

In the first place, it was urged that the trade-union movement should be recognized by the government as representing the interests of labor. "Whether planning for peace or war the government must recognize the organized labor movement as the agency through which it must co-operate with wage-earners." To make this recognition effective, the labor movement must have representatives in the "councils authorized to deal with the conduct of war."

<sup>1</sup> R. F. Hoxie, *Trade Unionism in the United States*, p. 155.

<sup>2</sup> *American Federationist*, 1917, p. 270.

"Organized labor should have representation on all agencies determining and administering policies for national defense." "The same voluntary institutions that organized industrial, commercial and transportation workers in time of peace will best take care of the same problems in time of war. . . . Service in government factories and private establishments, in transportation agencies, all should conform to trade-union standards."

Second, the wage-earners, as far as possible, should be protected against exploitation:

We hold that if workers may be asked in time of national peril or emergency to give more exhausting service than the principles of human welfare warrant, that service should be asked only when accompanied by increased guaranties and safeguards. . . .

The guaranties of human conservation should be recognized in war as well as in peace. Wherever changes in the organization of industry are necessary upon a war basis, they should be made in accord with plans agreed upon by representatives of the government and those engaged and employed in the industry.<sup>1</sup>

## II

The resolutions of the March conference naturally were expressed in highly general terms, but an occasion for specific definition soon presented itself. The declaration of war was signalized by numerous attempts to enact legislation which would have radically affected existing standards. The laws limiting the hours of work of women, the child-labor laws, and practically all other forms of protective labor legislation were attacked on the ground that patriotism demanded the repeal of every restriction on the complete utilization of the country's labor power. On April 6, 1917, the Council of National Defense issued a "Declaration" which had been adopted by the executive committee of the Committee on Labor and approved by the Advisory Commission and by the Council. The Declaration was designed primarily to prevent hasty and unwise changes in legislatively established labor standards. It urged on the legislatures of the states the duty of "rigorously maintaining" the existing safeguards. It contained also the following paragraph:

The Council of National Defense should issue a statement to employers and employees in our industrial plants and transportation systems advising

<sup>1</sup> *American Federationist*, 1917, pp. 278, 279.

that neither employers nor employees shall endeavor to take advantage of the country's necessities to change existing standards. When economic or other emergencies arise requiring changes of standards the same should be made only after such proposed changes have been investigated and approved by the Council of National Defense.<sup>1</sup>

This section of the Declaration was interpreted generally by the newspapers as a covenant between laborers and employers that during the period of the war there should be no strikes nor lockouts. In certain quarters President Gompers, who was chairman of the Committee on Labor of the Advisory Commission of the Council of National Defense, was severely criticized for having surrendered the "indispensable right of labor to strike." It soon became clear, however, that this interpretation of the Declaration was not approved by the leaders of the Federation. The Council of National Defense some days later issued an "amplifying statement" with the intention of clearing up the uncertainty. Besides a more detailed pronouncement against changes in standards established by legal enactment, the amplifying statement contained the following passages concerning changes in standards brought about by action of workmen or of employers:

There have been established by legislation, by mutual agreement between employers or employees, or by custom certain standards constituting a day's work. . . . It is the judgment of the Council . . . that employers and employees in private industries should not attempt to take advantage of the existing abnormal conditions to change the standards which they were unable to change under normal conditions.

The one other standard that the Council had in mind was the standard of living. It recognizes that the standard of living is indefinite and difficult to determine, because it is in a measure dependent upon the purchasing power of wages. It believes, however, that no arbitrary change in wages should be sought at this time either by employers or employees through the process of strikes or lockouts without at least giving the established agencies, including those of the several States and the Government, and of the mediation board in the transportation service and the Division of Conciliation of the Department of Labor in other industries, an opportunity to adjust the difficulties without a stoppage of work occurring.

<sup>1</sup> For the complete text of the Declaration and of the amplifying statement see the *First Annual Report of the Council of National Defense*, 1917, pp. 76, 77.

In the July, 1917, number of the *American Federationist* President Gompers set forth his understanding of the meaning of the Declaration as follows:<sup>1</sup>

A strike is not resorted to lightly, but as a last resort. If the workers are met with the same spirit of co-operation that they have manifested, strikes may be averted—but they cannot be prohibited. The workers will continue to endeavor to prevent interruption of industry by every honorable means. They will obviate any unnecessary cessation of work—strike—but they must insist that their physical standards and needs shall be maintained and only in times of direct necessity shall standards be suspended or deteriorated for a moment.

It is curious that the main question involved—the definition of “existing standards”—received no attention. Interest was centered at the time upon the avoidance of strikes and the terms on which they were to be avoided were not discussed. The following statement by President O’Connell of the Metal Trades Department, who was a member of the executive committee of the Committee on Labor of the Advisory Commission of the Council, illustrates the prevalent attitude of those who spoke for the unions:

The only intention of the Executive Committee was to avoid if possible the employers taking unfair advantage of the war situation by lowering the standards of employment, thereby lessening the present standard of living and falsely holding out to the workmen that it was necessary to operate their plants longer hours under greater strain and with less care to safety, sanitation and the ordinary precautions of in every way protecting the workers, and also that the organizations of labor would not ruthlessly or unnecessarily violate their contracts or make exorbitant demands upon their employers simply because they had secured war contracts.<sup>2</sup>

The issue was more clearly defined when later in the year, under date of September 6, 1917, the National Industrial Confer-

<sup>1</sup> Substantially the same view was taken by other leaders of the Federation. In the May, 1917, number of the *Machinists' Monthly Journal*, for instance, in an editorial entitled “In Justice to Mr. Gompers” the following passage occurs: “We are not asked to cease our efforts to better conditions, but are simply requested not to take extreme measures until an opportunity is afforded the Government agencies to effect an adjustment, if possible.” In his report to the Metal Trades Department in November, 1917, President James O’Connell said: “We maintain that organized labor is in the same position now that it has always been in and that its functions of organizing workmen, increasing their pay, reducing their hours of labor, or improving their conditions of employment has not in any way been interfered with, nor can it be interfered with, by any declaration from the Council of National Defense.” (*Proceedings, Metal Trades Department*, 1917, p. 13.)

<sup>2</sup> *Machinists' Monthly Journal*, 1917, p. 433.

ence Board, the central organization of American employers, in a letter to the Council of National Defense set forth as a basis for industrial peace a proposed interpretation of the "existing standards" principle. As applied to wages this principle was to be construed as meaning that wage demands were to be "tested by the prevailing local standard of the establishment in effect at the beginning of the war with such modification as may be shown to be necessary to meet any demonstrated advance in the cost of living." As to hours, the standards were to be those "established by statute or prevailing in the establishment at the beginning of the war, subject to change only when in the opinion of the Council of National Defense it is necessary to meet the requirements of the Government." Finally, employers were not to attempt to break down union shops, nor employees to convert non-union into union shops. A federal board for the adjustment of disputes was to be created whose decisions were to be binding.

The acceptance of this interpretation would have meant the maintenance of the *status quo* in every industrial plant. Each establishment would have emerged from the war with exactly the same hours of labor and other working conditions and with the same relative wage rates as it had at the beginning. Replying to this proposal through the columns of the *American Federationist*, President Gompers said:

The N.I.C.B., as well as the rest of us, well know that life must go either backward or forward; it cannot stand still. While proposing stagnation during the period of the war, during the time when all social and economic forces are fluid and may crystallize into the form they will take for decades to come, they propose that existing conditions, in accord with old concepts in the practices of exploitation, shall be fastened upon the working people, like shackles, during the period of the war—and *thereafter*.<sup>2</sup>

### III

Even before the September proposal of the National Industrial Conference Board was made the unions, in a series of agreements for the establishment of various governmental agencies, had

<sup>1</sup> *Statement of the National Industrial Conference Board, Presented at Washington, D.C., September 6, 1917*, pp. 6, 7.

<sup>2</sup> *American Federationist*, 1917, p. 856.

already begun to indicate the chief element in their wage policy. The most immediate relation of the government to the labor problem in the early months of the war was in construction work. The building of the camps was done through contractors, but was under such complete control by the government as to make it highly similar to direct government work in navy yards and arsenals. It was natural, therefore, that when the need for some principle of wage adjustment presented itself, the methods heretofore used by the government in setting wages and conditions in arsenals and navy yards should be employed. The practice in these establishments had been to ascertain the prevailing rates in neighboring cities and to fix a rate fairly equivalent.

On June 19, 1917, Secretary Baker and President Gompers signed an agreement for the adjustment and control of hours, wages, and conditions of labor in the construction of cantonments.<sup>1</sup> The Cantonment Adjustment Commission which was to be formed under this agreement was to take as "basic standards with reference to each cantonment . . . the union scale of wages, hours and conditions in force June 1, 1917, in the locality where such cantonment is situated." In one particular these "basic standards" differed from the customary standards in navy yards and arsenals—the union scales were to be taken and not prevailing rates. Also the working hours were not as in the arsenals and navy yards to be those fixed by congressional enactment, but those agreed upon by the unions and the employers. By a supplementary agreement signed in July by Secretary Baker and President Gompers it was provided that the terms of the original agreement were to be extended to embrace any other construction work carried on by the War Department. The same arrangement was made in August with the Secretary of the Navy. The name of the commission was later changed to that of Emergency

<sup>1</sup> For the complete text of the agreement see Louis B. Wehle, "The Adjustment of the Labor Disputes Incident to Production for War in the United States," in *Quarterly Journal of Economics*, XXXII, 133. It is interesting to observe in view of later developments that at the very time when the "prevailing local rate" method was being introduced as the leading principle in the determination of wages in the construction of the cantonments its abandonment in favor of a nationally determined scale was being brought about in the navy yards. See *Proceedings, Metal Trades Department*, 1917, p. 7.



Construction Adjustment Commission, but the principles on which it based its decisions remained the same.

In the Longshoremen's Agreement, signed in August, 1917, it was specifically stated that union scales of wages, hours, and conditions in force August 1, 1917, were to be taken as basic standards. The point of significance, in the present connection, is that in both the Cantonment and the Longshoremen's Agreements the union rates for the locality were adopted as "basic standards." The standards of individual establishments and employees were disregarded. Since the union rates, with some exceptions, were higher than the rates in force in non-union establishments, the adoption of union standards meant an increase in the wages of a considerable part of the workmen employed by non-union employers.

The first agreement for the adjustment of wages and conditions in the shipyards, signed August 20, 1917, differed radically from the Cantonment and the Longshoremen's Agreements. The "basic standards" to be used "with reference to each plant where such construction is being carried on" were to be "such scales of wages and hours as were in force in such plant on July 15, 1917, and such conditions as obtained on said date in such plant." A second agreement, however, was signed in December, 1917, which entirely superseded the first. In the new agreement it was provided:

As basic standards where such construction is being carried on, the Board shall use the wage rate prevailing in the district in which such plant or plants are located, provided such wage rates have been established through agreements with employer and employees and are admitted to be equitable. . . . Where no such agreements exist . . . the Board shall have the right to put into effect the rates which were awarded after due investigation and determination in other districts in which living conditions and the cost of living are the same.<sup>1</sup>

The essential difference between the two agreements was that the first agreement made the rates in individual plants the basic

<sup>1</sup> The text of the first agreement may be found in Louis B. Wehle, "The Adjustment of Labor Disputes Incident to Production for War in the United States," *Quarterly Journal of Economics*, XXXII (November, 1917), 137-39. The text of the second agreement may be found in Douglas and Wolfe, "Labor Administration in the Shipbuilding Industry During War Time, I," in *Journal of Political Economy*, XXVI (March, 1919), 152-54.

standards, a provision in exact accord with the proposal of the National Industrial Conference Board, while the second agreement made the rates "established through agreements" the standards for the district.

In the agreement which established the Harness and Saddlery Adjustment Commission, signed in September, 1917, the signatory contractors agreed that "non-union labor employed in carrying out work to which the United States is a party shall receive the same rates of compensation as the members of the United Leather Workers' International Union." The agreement did not provide more explicitly for the standardization of rates, but the first decision of the Commission established a uniform national scale for skilled mechanics.<sup>1</sup>

#### IV

The opinion of the organized labor movement in favor of the adoption of "basic standards" which brought up the rates in lower-paid establishments as against adjustments which maintained establishment differentials crystallized into definite form at the convention of the American Federation of Labor in November, 1917. The convention instructed the Executive Council "to continue its good offices in establishing agreements through governmental co-operation to cover the production of war materials in other industries,"<sup>2</sup> and unanimously adopted the report of the Committee on Resolutions which contained among other things the following paragraphs dealing with the question of standardization:<sup>3</sup>

The Committee on Resolutions desires to submit a matter dealing with the principles and policies which should be observed by all boards or commissions of a government character appointed by the government or otherwise during the duration of the war. . . .

In determining what the wage rates should be there are several vital factors to be considered apart from the increased cost of living.

The existing wage rate in an establishment should first be considered as to its equity:

Was it established as a result of joint conference and agreement between the employer and his employees, or was it established as a result of the employer's individual conception of what wages should be paid to those in his employ?

<sup>1</sup> *Leather Workers' Journal*, I (1917-18), 81. The decision was rendered on October 20, 1917.

<sup>2</sup> *Proceedings of the American Federation of Labor*, 1917, p. 313.

<sup>3</sup> *Ibid.*, p. 409.

To what degree did the previous wage rate compare with those in establishments in the same district where wages have been established through joint agreement between the employer and the employee?

How did the wage rate adopted through joint agreement in the district compare with the wage rates in other districts where joint wage agreement existed?

## V

The adoption by governmental agencies of that form of standardization which involved the equalization of wage rates between union and non-union establishments was greatly facilitated by the conditions existing during the war. The demand for labor was so imperious and workmen were drawn from such long distances that differences in wages among individual establishments were broken down to an extent hitherto unknown. Under such circumstances it is doubtful whether individual establishment differentials could have been maintained even if the policy advocated by the National Industrial Conference Board had been adopted by governmental agencies. The experience of the Shipbuilding Labor Adjustment Board is significant in this respect. Although created under an agreement which expressly provided that the scales of wages and hours in force in each plant should be basic standards, the Board established in November, 1917, a uniform scale of wages for the Pacific Coast. In its decision the Board said: "The enticing of workers from one plant to another has had a demoralizing effect on the production of ships. The establishment of a uniform wage scale for the San Francisco, Columbia River and Puget Sound Districts will have a steadying influence." The change made in the Agreement in December, 1917, with respect to basic standards was undoubtedly largely due to the recognition of the fact that practical considerations made standardization a necessity.

## VI

The second stage in the development of the relations between the unions and the governmental agencies began in the spring of 1918 and was characterized by a notable change in the point of view of those responsible for wage policies. Until the latter part of 1917 the leading consideration in determining governmental labor policy was the fear that labor standards would be lowered by

the war. The chief concern at first had been to prevent the excessive lengthening of working hours, the working of women under hurtful conditions, and the use of children in industry. The early adjustment boards were established merely as agencies for preventing and adjusting disputes. The fixing of wages was a power necessarily connected with this function, but not independently important.

By the spring of 1918 the competition of contractors for the different government departments had become so keen and the resulting losses of labor power so threatening that attention was given in increasing measure to devising means of stabilizing labor conditions. Through the efforts to solve this problem the adjustment agencies were gradually forced into a new conception of their function; wage-fixing now assumed importance not merely as an adjunct to the adjustment and prevention of disputes but primarily as one of the means of obviating the hurtful consequences of the competition for labor. The meaning of "standardization" changed accordingly. In the earlier period "standardization" meant the bringing up of non-union rates to the level of union rates; the area which was taken as the unit of standardization might be large or small provided it was the area covered by the existing union rate. But "standardization" as a measure to check the hurtful consequences of competition was an entirely different concept; it involved the equalization of rates over areas which were wider than the existing union-rate areas and between classes of workers which had different union rates.

The theory which was slowly and only partially translated into action may be roughly sketched as follows: The standardization of wages in each war industry over wider areas would obviate the movement of laborers from one place to another within that industry. The standardization of wages among the war industries for the same classes of workers would prevent the movement of men from one of these industries to another. Finally, to prevent the breaking down of the scheme by the competition of individual employers, wage rates should be made maximum rates and employers should be forbidden to pay more than the specified rates. It was argued that through these measures the labor turnover which had reached enormous proportions would be greatly lessened.

Although the excessive turnover and the consequent loss of labor power were urged as the chief argument for the program of standardization, a more fundamental question also presented itself. In some trades wages had risen more rapidly than the cost of living. This had come about largely through the competition of employers for a particular class of labor. With the rapidly increasing demand for labor there was reason to apprehend that purely competitive forces unless unchecked would bring about the same condition for labor in general. From the beginning of the war it had been an accepted doctrine of wage adjustment that wages should be raised equally with the increase in the cost of living. In the pronouncements of the Council of Defense in April, in the September proposals of the National Industrial Conference Board, in the resolutions of the American Federation of Labor in December, and, finally, in the Memorandum under which the Shipbuilding Labor Adjustment Board was established, this principle was explicitly or implicitly recognized. In the principles which the National War Labor Board had adopted it had been laid down as an additional formula that all wage-earners should receive a living wage. The application of the principle of the living wage involved an increase in the wages of some wage-earners greater than the increase in the cost of living. But a general increase in real wages and in particular an increase in the real wages of those sections of the working population which already were receiving more than a living wage was regarded with apprehension.

It is a serious question whether with drastic wage regulation effective only in the war industries it would have been possible to recruit sufficient labor for these industries against the bidding of the non-war industries. Probably a far more radical use of the powers of the War Industries Board and of the Capital Issues Committee would have been ultimately called for in order to discourage non-war uses of labor.<sup>1</sup> But one step would have been taken in

<sup>1</sup> If the war had continued, it would probably have been necessary to make the question of priority turn more largely on the use of labor. The criteria of priority which governed the War Industries Board were materials, coal, and transportation. But there are many industries whose demands on the national resources are chiefly in terms of labor. Except for the rules of the Provost Marshal's office, the use of labor was not directly made the criterion of priority until the summer of 1918, when the central recruiting of labor was ordered.

the solution of the problem if the extent and character of the shortage of labor, hitherto obscured by the competitive bidding of employers in war industries, had been made clear by the standardization of wages.

The circumstances which led gradually to the change in labor policy described above—the furious competition for labor and the great turnover—were noted by two competent first-hand observers in February and May, 1918.<sup>1</sup> The first attempts to secure relief from this condition were directed primarily to the opening up of new sources of labor supply, the better utilization of labor power through the facilitation of the movement of laborers, the addition of housing facilities in the congested centers, and the dilution of labor. But besides these measures attention was gradually centered upon three extensions of the policy of wage standardization: (1) the more complete standardization of wages within the several war industries, (2) the creation of some agency which would standardize rates among these industries, and (3) the fixation of maximum rates.

#### I. STANDARDIZATION OF WAGES WITHIN THE SEVERAL WAR INDUSTRIES

The tendency to more complete standardization within the several war industries manifested itself in several movements which may be distinguished as follows: (a) the widening of the area of standardization, (b) the standardization of the wages of classes of employees hitherto left to individual bargaining, (c) the establishment of governmental agencies in industries or trades which had not been covered.

a) As has been noted above, the first wage rates fixed by the adjustment boards, with the single exception of the rates established by the Harness and Saddlery Adjustment Commission, were either local or district rates. The successive decisions of the Shipbuilding Labor Adjustment Board show the gradual increase in the areas over which identical rates were applied. In the last wage scale

<sup>1</sup> See L. C. Marshall, "The War Labor Program and Its Administration," in *Journal of Political Economy*, May, 1918, pp. 428-30, and Louis B. Wehle, "Labor Problems in the United States during the War," in *Quarterly Journal of Economics*, February, 1918, pp. 351-52.

formulated by the Board the following passage epitomizes the causes which influenced the Board in taking this course:<sup>1</sup>

The principal characteristic of the following decision for Pacific Coast shipyards, and the decision we are issuing simultaneously for Atlantic Coast, Gulf and Great Lakes shipyards, is that they establish uniform national rates for practically all of the skilled trades. We have adopted these uniform national rates because experience has convinced us that by this means only can we put a stop to that shifting of employees from yard to yard and district to district, which continues to be a chief obstacle to efficient ship production. Added arguments for uniform national rates are that citizens working for the Government—and work on ships is now essentially Government work—feel that they should all be treated alike; that there are no longer any marked differences in the cost of living between different sections; and that the Federal Employment Service, rather than divergent wage rates with their unsettling tendencies, should henceforth be relied upon to effect whatever shifting of wage-earners is necessary to the carrying out of the war program. It is a special gratification to us that this change, which we believe to be in the national interest, was unanimously requested by the international and local representatives of the shipbuilding crafts, who came before us in the hearings which preceded this adjustment.

Similarly, the need for some amendment of the system of wage regulation in force in the building trades gradually became apparent. Under the Cantonment Agreement, as has been noted above, the wages of building-trades mechanics engaged in construction on government projects were fixed by taking local union rates as standards. But this plan was by no means satisfactory. In the first place, it was difficult, on account of the almost complete cessation of private construction, to determine the local union rates.<sup>2</sup> Secondly, the rates for construction work fixed on a local basis differed in many places from the district rates for the same classes of mechanics set by the Shipbuilding Labor Adjustment Board.

<sup>1</sup> *Decision as to Wages, Hours and Other Conditions in Pacific Coast Shipyards*, October 1, 1918, p. 1.

<sup>2</sup> In the *Carpenter* for November, 1918, President Hutcheson of the Carpenters said: "The system of the Government officials is that in a locality where our members make a request for an increased wage it would be necessary that we show that the majority of the contractors of that locality had recognized and were paying the advanced wage scale before the Government representatives would recommend the payment of the advanced wage scale on Government work. This handicaps us to a large extent, due to the fact that a greater percentage, if not all of the construction work (particularly in some localities), is work being done for the Government."

Various conferences were held in the summer of 1918 by the War Labor Policies Board with a view to the formation of a board for the standardization of rates in the building trades.<sup>1</sup> The general plan appears to have been to establish rates either national in character or uniform over zones of considerable extent.

b) In several of the industries in which rates were fixed by wage-adjusting agencies, it was found necessary to extend the regulation of rates to classes of workers not originally included in the awards of the boards. Thus the Shipbuilding Labor Adjustment Board found it necessary to fix rates in its last awards for draftsmen, leading-men, and guards, whose wages previously had been left to the play of competitive forces.

In the harness and saddlery industry, to give another illustration, the pressure for the standardization of the wages of additional classes of employers was very strong. In the original award of October 20, 1917, only the wages of skilled mechanics were fixed. It was provided simply that the wages of other employees should be advanced proportionately.<sup>2</sup> But in October, 1918, a scale prescribing specific rates for semiskilled, unskilled, and women workers was under favorable consideration.

c) During the period from June to September, 1917, the chief governmental agencies for adjusting the wages of employees in the shops and yards of government contractors were established. When the railroads were taken over by the government the wages of their employees became subject to the orders of the Director of the Railroad Administration, and modifications and extensions of these orders were made on the recommendation of the Board of Railway Wages and Working Conditions. Throughout the war wages in the bituminous and anthracite coal fields were fixed except in a few sections by agreements between the miners and the operators, but after the establishment of the Fuel Administration the control exercised was so great as to bring the wages of miners for all practical purposes within the category of governmentally controlled rates. Despite these great extensions in the control of wages, there remained in the summer of 1918 important war

<sup>1</sup> *Official Bulletin*, July 25, 1918, p. 15; *Carpenter*, November, 1918, p. 26.

<sup>2</sup> *Leather Workers' Journal*, 1917, p. 81.



industries in which wage rates, except in so far as disputes might bring matters within the control of the National War Labor Board, were determined purely by competition or by agreements between the employers and the unions. The most important of these unregulated fields was the manufacture of munitions. There were two potent arguments for establishing some system of wage regulation for this industry. In the first place, the competition among the different munition plants was producing its usual consequence, an enormous labor turnover. Secondly, the munition plants, the shipyards, and the railroads all employed machinists, molders, blacksmiths, and sheet-metal workers. It was difficult for the Shipbuilding Labor Adjustment Board or the Railroad Administration successfully to maintain standardized rates for metal-trades mechanics as long as the rates in the munition industry remained a welter of local rates determined solely by the exigencies of local competition.

After the establishment of the War Labor Policies Board it was planned to establish a board which would standardize rates in the metal trades, except in so far as the members of these trades were working under jurisdiction of the Shipbuilding Board or the Railroad Administration. It is generally understood, although no official announcement was made, that the general character of the board and even its personnel had been determined at the time of the signing of the armistice.<sup>1</sup> It is probable that the full development of the theory of standardization would have involved ultimately the establishment of a number of boards in addition to those in the metal and building trades.

## 2. STANDARDIZATION OF RATES AMONG THE WAR INDUSTRIES

As has already been noted, the original scheme of wage adjustment as developed in the summer of 1917 was a system of regulation by industries and not by trades.<sup>2</sup> It very early became apparent that this plan while possessing administrative advantages had one enormous disadvantage. Where two industries, as, for example,

<sup>1</sup> *International Molders' Journal*, 1918, p. 781.

<sup>2</sup> The plans for the metal-trades board and for the building-trades board were based on the principle of regulation by trades.

the railroads and the shipbuilding industry, both used mechanics of the same trade, the rates fixed by different governmental agencies were likely to be in conflict, and the result was that dissatisfaction and a large turnover resulted. A remedy for this situation became increasingly important as the number of industries under governmental wage regulation increased. In establishing "The Board of Railway Wages and Working Conditions" in May, 1918, the Director General of the Railroad Administration made it one of the duties of the Board to report on "conditions arising from competition with employers in other industries." Some weeks before the signing of the armistice a committee of the different governmental agencies, known as the Conference Committee of National Adjustment Agencies, was formed and took under consideration the formulation of a code of labor standards which it was expected would be announced by the government.<sup>1</sup> The results of the deliberations of this committee were not officially announced, but it is understood that the plan included the adoption of a rule that no decision affecting a change in standard rates was to be adopted by any of the governmental agencies without the consent of the Conference Committee. In any event it is certain that if the war had continued some form of co-ordination among the governmental agencies would have resulted from the sheer necessities of the situation.

### 3. THE FIXATION OF MAXIMUM RATES

Trade-union rates are practically always nominally minimum rates. In piece-working trades the standard rate is normally both a minimum and a maximum rate, but in trades where time rates prevail, it is usual for some men in almost every shop on account of their superior skill to receive more than the minimum. It occasionally happens also that an employer will pay above the minimum to all employees of a certain craft in order to attract and retain employees above the normal level in skill and intelligence.

It was found very early in the war that some employers operating under scales fixed by governmental agencies in order to attract a sufficient supply of workmen were paying all the men or nearly

<sup>1</sup> See Henry R. Seager, "Effect of Present Methods on Future Wage Adjustments," in *Proceedings of the Academy of Political Science*, February, 1919, p. 111.

all above the rate fixed by the governmental agency. The excess payment was frequently not a remuneration for superior skill, but was designed to attract the workmen of other employers engaged in the same industry or in allied industries. Where a contractor had a highly profitable contract it was frequently to his advantage to pay higher rates—both piece and time—than those fixed by the governmental agency under whose scale he was operating, in order to secure the rapid execution of his contract.<sup>1</sup>

The Emergency Fleet Corporation began in 1918 to apply pressure against those contractors who paid more than the standard rates in order to attract the employees of other shipbuilding plants, and it had become the settled policy of the Corporation by the summer of 1918 to prevent the payment by a shipyard of higher than standard rates to any considerable part of the men in a particular craft. Even more stringent was the rule adopted by the Harness and Saddlery Adjustment Commission. In the award of July 23, 1918, section 4 reads as follows:<sup>2</sup>

Much complaint has reached the Commission that mechanics are changing from one shop to another. Investigation has shown that there are many causes for this labor turnover, chief among which have been the different rates of wages, inequality of working hours (which in many cases has caused workers eager to earn as much as possible to leave work at shops working a reasonable number of hours so as to go to work where a larger number of hours was permitted); excessively long hours causing a loss of energy and consequently reduced production. To reduce this labor turnover and at the same time to conserve the energy and welfare of the workers, it is the judgment of the Commission that the wages above fixed shall be the standard wages, and the hours heretofore fixed by order of the Commission, dated June 29, 1918, be the standard hours, and that no contractor shall hereafter vary from such standards except with the written consent of the Commission.

On August 5, 1918, the Fuel Administrator issued a statement reading in part as follows:<sup>3</sup>

Information is reaching me that coal operators are bidding against each other for labor by payment of bonuses. This inevitably causes unrest and shifts, but does not increase the total production of coal. . . . The payment

<sup>1</sup> See Louis B. Wehle, "Labor Problems in the United States during the War," in *Quarterly Journal of Economics*, February, 1918, p. 351, for a discussion of the difficulties involved in enforcing maximum rates on contractors engaged on government work.

<sup>2</sup> *Leather Workers' Journal*, I (1917-18), 341.

<sup>3</sup> *Official Bulletin*, August 7, 1918, p. 7.

of bonuses in any form is contrary to the spirit of wage agreements made by operators and mine workers with the President of the United States last November. Those agreements covered the period of the war. . . . I hereby announce that if any operator hereafter undertakes to pay a bonus in any form in violation of the terms or spirit of the agreements above referred to, I shall assume that the mine price of coal allowed that operator is too high and I shall accordingly order reduction thereof.

On July 25 the Chairman of the War Labor Policies Board issued a statement which contained the following announcement with reference to restrictions on wages:<sup>1</sup>

Congress, through the taxes on excess profits, the War Industries Board, through its price-fixing, the President, through the veto of \$2.40 wheat, have prepared the way for standardization of wages. Additional methods of keeping down the cost of living are being investigated at this time.

All these measures, past and pending, have revealed the determination of the American people to let no one make money out of the war. What price-fixing means for the manufacturer, wage standardization is to the workers of the country.

That means plainly that just as the price-fixing committee takes into account the cost of production and proper profits, so wage standardization must be built upon an accurate knowledge of the cost of living and a just estimate of what makes up the right American standard.

It was expected that the Conference Committee of the National Adjustment Agencies would pronounce against such variations from the standard rate as would interfere with established standards of compensation or promote the shifting of employment.

## VII

The feeling that a more complete standardization of rates was necessary gained strength in the spring of 1918. At the session of the American Federation of Labor in June, 1918, the Executive Council submitted for the consideration of the convention a letter from the Shipbuilding Labor Adjustment Board, dated May 16, 1918, which raised practically all the issues presented above. The text of the letter follows:<sup>2</sup>

<sup>1</sup> *Official Bulletin*, July 25, 1918, p. 12.

<sup>2</sup> *Proceedings of the American Federation of Labor*, 1918, pp. 74, 327, 328.

MY DEAR MR. GOMPERS:

The increasing abnormal labor turnover is a grave menace to our maximum national production for war purposes. The Shipbuilding Labor Adjustment Board will be greatly aided in its task if it could receive an expression of opinion from the American Federation of Labor on the following points:

1. Can minimum wage rates prevent the continued serious labor turnover, or must there be standard rates for the period of the war?
2. Should government departments or boards in establishing wage scales and conditions of employment deal directly with local organizations, or only through the international presidents of various craft organizations?
3. Should the country be divided into districts in which uniform wages and conditions should prevail, or should there be one uniform wage rate for the entire country? If in districts, how are the limitations of such districts to be determined?
4. Should uniform wages and conditions prevail in a given craft within a district regardless of the industry in which the individual is employed, or should uniform wages and conditions for all crafts prevail within the same district?
5. Are there any basic crafts that should receive the same rate, and if so, what are they?
6. How can important government work obtain priority in labor supply over less important or private work?
7. Assuming the establishment of wage scales on government work, for how long a period should such scales remain in force—if for the period of war, should provision be made for periodic rehearings in case an increased cost of living be shown, or should the wages be increased automatically whenever government statistics show an average of ten per cent (10%) increase in a given district?

Until the above questions are determined, little satisfaction or stability will be obtained, and we therefore count on the continued co-operation of the American Federation of Labor in seeking a solution of these problems.

Very truly yours,

SHIPBUILDING LABOR ADJUSTMENT BOARD  
V. EVERIT MACY, *Chairman*

This letter was referred by the convention to the Executive Council with instructions "to confer with the presidents of the organizations affected for the purpose of determining upon the provisions of the reply to be made to the communication," and with the recommendation "that such conference should be held as soon as possible." The report of the Executive Council also informed the convention that a resolution had been introduced in the Senate

of the United States directing a committee of the Senate to inquire into the advisability of standardizing wages. The convention referred to the Executive Council "the subject of standardizing of wages and stabilization of industrial and labor conditions during the pendency of the war . . . for their careful study and such action as the circumstances may warrant, so that the interests of labor should be protected." The policy of the Federation on the questions involved was, therefore, never made the subject of explicit public pronouncement.

There is, however, indirect evidence that all three of the applications of the principle of standardization outlined above were accepted by those who represented the American labor movement. Certainly no public opposition was made to the plan as it unfolded itself. With the equalization of rates over wider areas or the bringing of additional industries under standardized rates there was no reason why the trade-union leaders should quarrel. In announcing the adoption of the policy of standardization, the Chairman of the War Labor Policies Board had correctly said: "In seeking standardization the precedents of unionized industry are being followed. Wages have, of course, long been standardized by the agreements of employers and employees in many industries."<sup>1</sup>

That here and there a trade-union leader stood out for the fixation of wages by direct bargaining rather than by the decisions of a government board is evident from the following extract from a report by President Hutcheson, of the Carpenters, to his Executive Council, but it is equally evident that the extension of the area of standardization was not opposed:<sup>2</sup>

In discussing the matter with the Chairman of the War Policies Board I informed him that the only thing that our Brotherhood desired was to sit down with his board and agree upon what the wage scale of the members of our organization should be; that we would either agree to one minimum scale throughout the entire country or that we would agree to a minimum scale for various districts or zones, and that after an understanding was arrived at as to what the scale was to be that we would expect the War Policies Board to see that the contractors on the various Government work throughout the country complied with said findings, then we in turn would see that the mem-

<sup>1</sup> *Official Bulletin*, July 25, 1918, p. 12.

<sup>2</sup> *Carpenter*, November, 1918, p. 26.

bers of our organization observed the arrangements as arrived at the same as though we had entered into an agreement or understanding with employing contractors.

The one point in the program of standardization as it was developing in the summer of 1918 which carried possibilities of trade-union opposition was the fixation of maximum wages. As has been pointed out above, trade-union rates are rarely maximum rates. Here, again, such evidence as there is indicates the assent of the trade-union leaders to the program of standardization. The trade unions were represented on the Shipbuilding Labor Adjustment Board and also on the Harness and Saddlery Adjustment Commission, and in both industries the principle of the maximum wage was applied. In commenting on the order of the Fuel Administrator against bonuses, the *United Mine Workers' Journal* said:

The bonus system is one that should not be allowed to exist. In the first place, it is a direct violation of the wage agreement made between operators and miners. In those agreements the rate of pay is definitely fixed, and the scale applies to every competing operator as well as to every miner. It is wholly unfair, therefore, for one operator to offer extra inducements in the form of a bonus to induce miners to violate their agreement and leave their places of employment to work in his mine, thus seeking to "put one over" on a competitor.<sup>1</sup>

## VIII

It seems probable that the standardization of wages by government agencies during the war will affect considerably the future development of collective bargaining in the United States. In any analysis of this influence three forms of standardization must be distinguished: (a) the classification of workmen of the same general trade into several groups according to some definite and recognizable characteristic, (b) the equalization of rates between union and non-union establishments, and (c) the extension of wage rates over wider areas.

a) Where a trade is made up of persons who receive widely differing rates of pay, it is impossible to fix a single standard wage which will serve effectively as a basis for collective bargaining. One of the chief problems in making trade unionism effective in

<sup>1</sup> *United Mine Workers' Journal*, August 15, 1918, p. 8.

many trades lies, therefore, in the necessity of defining the classes of workmen with a general group in such a way that a standard wage may be fixed for each class.<sup>1</sup> A trade may remain incompletely organized chiefly because the union cannot establish standard rates which are effectively related to the varying rates paid in the trade.

The governmental wage adjustment boards found it necessary in a number of cases, in order to establish standard rates, to define certain classes of workers within larger groups. Thus, for example, the Shipbuilding Labor Adjustment Board established classifications and standard rates for draftsmen, a trade in which no generally recognized classifications had prevailed. By an order issued on July 25, 1918, the Director General of the Railroad Administration established classifications within a number of groups of employees in the mechanical departments of railways.<sup>2</sup> It is almost certain that in some of the cases where such classifications have been established future collective action on the part of the workmen will be greatly facilitated.

b) The effect of the equalization of union and non-union rates was undoubtedly to increase very greatly the number of trade unionists. The fact that the trade-union rate had become the government rate, coupled with the additional circumstance that the trade-union possessed an organization for presenting the case of the workers before the governmental boards conferred upon the unions prestige among the unorganized workers. There were other factors in the rapid increase in trade-union membership during the war, but the leveling up of rates must be accounted a primary one.

c) Finally, the extension of standardized rates over wider areas will be likely to contribute to the greater stabilization of systems of collective bargaining. The history of collective bargaining in the United States demonstrates that the success of a national or district system of collective bargaining is far more likely when

<sup>1</sup> For a more elaborate treatment of the subject see a brief paper by the present writer in *The Johns Hopkins University Circular*, No. 185, p. 7.

<sup>2</sup> *Supplement No. 4 to General Order, No. 27, United States Railroad Administration.*



the scale of wages is a national or district scale.<sup>1</sup> The superiority in stability of national over local systems of collective bargaining is equally incontestable. In a number of important trades the essential foundation for a successful national system of collective bargaining—a national scale of wages—has been laid. In a number of other trades the local variations in wages have been so much reduced that no great difficulty would be experienced in leveling out the remaining inequalities.

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<sup>1</sup> See an article by the present writer entitled "National and District Systems of Collective Bargaining" in *Quarterly Journal of Economics*, XXVI (May, 1912), 425-53.